

The Managed Carbon Price Act of 2015

Section-by-Section Description

Section 1. Short Title: The Managed Carbon Price Act of 2015 (MCP)

Section 2. Greenhouse Gas Emission Substances

Section 9901. Condition Precedent to Sale or Use of Greenhouse Gas Emission Substance

Requires the producers of coal, natural gas, oil and gas refinery, or other covered GHG emissions producer to purchase Permits equivalent to the amount of CO₂ equivalent emissions produced. GHG substances that are used for noncombustion agricultural purposes do not require a Permit.

The Secretary will impose a Permit equivalency fee on the importers of carbon intensive goods. The fee will be equivalent to the price paid by domestic producers of GHG substances. This provision will expire to the extent that other countries enact similar emissions reductions laws.

Section 9902. Federal Emissions Permit

Generally: Permits will only be available for purchase from the Secretary. Permits are not allowed to be traded or resold.

Purchasing Permits: Permits will be sold in one-quarter CO₂ equivalents (one-quarter ton of CO₂ or equivalent substance). Permits may only be purchased within seven calendar days after a GHG emission substance is produced or imported. This is to prevent hoarding and distortions in the Permit price.

Permit Price: The price for obtaining a Federal emission permit for emissions in 2016 is \$12.50. Thereafter, the Secretary in consultation with the EPA Administrator, and the Secretary of Energy, will determine the Permit price. No more than one-year after enactment the Secretary will publish a 5-year Permit price and quantity schedule for each calendar year. The following year, the Secretary will publish the price for year 6, and will do this on an annual basis. This way, businesses always have a 5-year price window to plan around. The Secretary can at any time before the start of a new year decrease the price of permits. The Secretary may only increase the permit price for a published no less than 2 years before the year in question.

Price Collar: MCP requires that the Secretary set Permit prices within a maximum and minimum price collar. MCP stipulates the price collar for the first 12 years after implementation. 5-years after enactment and every 10-years thereafter, the Secretary will publish a new price collar schedule.

Emissions Targets: While the price and quantity of Permits are set by the Secretary every 5-years, MCP requires emissions reductions of 80% of 2005 levels by 2060. The Secretary must meet specific reductions targets every 10 years. The first target requires the average emissions from the period 2016 through 2020 to be no more than 90 percent of 2005 levels. The following four decades require 20%, 20%, 20% and 10% reductions respectively.

Annual Report: 15 months after enactment, and every year thereafter, the Secretary shall publish a report detailing the number of Permits sold, and the extent to which GHG emissions reductions are being achieved. The report will also contain the methodology used by the Secretary to determine

Permit prices and quantities, as well as an estimation of the price of Permits for the decade following the current 5-year window.

Section 9903. Definitions

Carbon Dioxide Equivalent: Means, for each GHG emission substance, the quantity of that substance the EPA administrator determines makes the same contribution to global warming as 1 metric ton of CO₂.

GHG Emissions Substances: Coal, petroleum, natural gas, methane, nitrous oxide, sulfur hexafluoride, perfluorocarbons, hydrofluorocarbon, and any other substance as determined by the EPA Administrator.

Publication of Schedule: The Secretary shall publish a schedule listing each covered GHG substance, and the quantity of each substance required to make 1 metric ton of CO₂.

Section 9904: Information Reporting Requirements

In making determinations for price and quantity of Permits, the Secretary may solicit information from industry regarding estimated future use of GHG substances.

Section 6433. Refunds of Federal Emission Permit Fee for Certain Uses

The Secretary is allowed to refund Permit fees in the event the Producer has purchased too many Permits. This is expected to be negligible as Permits are purchased after production of the GHG substance.

The Secretary shall also make payments to exporters of carbon intensive goods equal to the cost that domestic producers pay for such carbon intensive goods.

Section 4691. Greenhouse Gas Emissions Substances (Failure to Obtain a Permit)

If a producer fails to obtain a Permit, he must pay the amount of the fee, and a tax equal to the fee paid. Essentially, a producer will be liable for twice the amount of the applicable Permit fee.

Section 9512. Energy and Economic Security Trust Fund

100 % of the Permit fees will be transferred to the newly created Energy and Economic Security Trust Fund (EEST). From there, the EEST will distribute a monthly dividend to every lawful United States resident. Each resident will receive one individual share, with dependents receiving one-half of an individual share. No more than 2 dependents may be taken into account for each resident.